STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD

In re: Guidance and Principles Governing)
the Green Mountain Care Board's)
Hospital Budget Review Process for)
Fiscal Years 2014 through 2016)
)

FY 14-16 HOSPITAL BUDGET GUIDANCE

At its February 21, 2013 public meeting, the Green Mountain Care Board (GMCB) voted (1) to implement a set of principles governing the hospital budget review process for federal fiscal years 2014 through 2016 and (2) to identify several key areas for further analysis. The vote was the culmination of a public discussion that began in December 2012 and involved hard work by and input from hospitals and other stakeholders, members of the public, and the GMCB itself. The Board members are grateful to everyone who participated in and had an impact on this important decision-making process.

The Board's decisions are summarized below.

Principles governing the hospital budget review process for FY2014-FY2016

The following principles were adopted by the Board and will govern the hospital budget review process for federal fiscal years 2014 through 2016:

- The Board set a target for increases in hospital net patient revenue of three percent for the budget years of FY-14, FY-15 and FY-16. This is intended to apply to the year-on-year revenue increases. This three-year trend for hospital budgeting reflects the Board's commitment to cost containment and payment reform. The three percent growth target is inclusive of any provider tax increases and any costs associated with unbudgeted capital investments for which the Board approves a certificate of need.
- The Board reserves the right to re-examine its forecasts and budgeting methodology to address material shifts in medical and/or core inflation over the three-year period.
- The Board agreed to create an allowance for credible health reform proposals in the amount of one percent (above the base target of three percent) for FY-14, 0.8 percent for FY-15, and 0.6 percent for FY-16. Hospitals will need to convince the board that expenditures listed as health reform are truly investments in a reformed delivery system. The following are areas that the board may deem "credible":

    a. Collaborations to create a "system of care"
    b. Investments in shifting expenditures away from acute care
    c. Investments in population health improvement
    d. Participation in approved payment reform pilots

e. Enhanced primary care and Blueprint initiatives
f. Shared decision making and "Choosing Wisely" programs

- The Board will use the hospital budget rate of growth described above as a guide in our monitoring of total system costs, in identifying areas of potential excess growth and in identifying priorities for data analysis.
- The Board will utilize the growth target described above to guide our review of health insurer rate increases, particularly our expectations about reasonable estimates of health care cost trend factors embedded in insurer rates.
- We realize that each hospital is a unique business entity with large variations in size, volume and financial health, and that small adjustments to budget targets are not, in themselves, the method to improve financial status or to correct for ongoing budget deficiencies.
- We realize the tremendous variance in size and scope of our regulated hospital entities and reserve the right to place community need, and or solvency, as our primary concern above and beyond our budget policy.

The Board may modify the above principles if circumstances require it, and would do so with prior notice to and input from stakeholders and the public.

Areas for further analysis

Patients, health care providers and other Vermonters who commented on our work made it apparent that there are three key areas of the hospital budget process that need further study and analysis. Accordingly:

1. We will create an expedient process to review all physician transfers. This review will determine the "net" effect of inward physician migration and attempt to hold hospitals harmless for net neutral budgeting affects. This does not guarantee all transfers will be deemed budget neutral and the burden of proof will fall to the individual hospital. Based upon in person testimony, and written feedback, it is clear that this subject needs a clear methodology to ensure the board's ability to respond in a timely manner to off-budget-cycle personnel matters that materially affect a hospital's budget. It is the intent of the board to produce a reasonable system that allows each hospital the ability to "make their case."

2. We will incorporate in the budget review process consideration of hospitals' efforts to understand their communities' needs and priorities. This consideration may include the review of such information as:

    - For each hospital facility (where applicable), the most current version of Schedule H that has been submitted to the Internal Revenue Service as part of the hospital organization's Form 990 reporting obligations under Section 501(c)(3) of the Internal Revenue Code.

- For each hospital facility (where applicable), the Implementation Strategy described in Section 501(r)(3)(A)(ii) of the Internal Revenue Code (as added by section 9007 of the Patient Protection and Affordable Care Act (Pub. L. 111-148)) that has been adopted by the hospital's organization's governing board pursuant to IRS guidelines. The Implementation Strategy as submitted shall conform to the requirements of Section 6033(b)(15) of the Internal Revenue Code as added by Section 9007 of the Affordable Care Act and shall describe (i) how the hospital organization is addressing the needs identified in each community health needs assessment conducted under section 501(r)(3) of the Internal Revenue Code and (ii) any needs that are not being addressed, together with the reasons why such needs are not being addressed.

3. We will develop a more robust hospital budget enforcement process to ensure compliance with our policies.

The Board again thanks all who participated in the process of developing the above principles and areas for further study. We look forward to continued, strong stakeholder and public participation in the hospital budget process as we implement these principles.

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